

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

September 17, 2009

The regular meeting of the City of Chattanooga General Pension Plan was held September 17, 2009 at 8:45 a.m. in the J.B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Dan Johnson, Terry Lamb, and Carl Levi. Others attending the meeting were Valerie Malueg, City Attorney's Office; Sharon Lea, City Personnel Office; and Teresa Hicks, First Tennessee Bank.

The meeting was called to order by Chairwoman Daisy Madison. A quorum was present.

The minutes of the meeting held August 20, 2009 were approved.

The following pension benefits and plan expenses were discussed for approval:

PART I – ACCOUNT SUMMARY

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAYABLE</u>		<u>SERVICES RENDERED</u>
	<u>THIS PERIOD</u>	<u>YTD</u>	
NELSON, MCMAHAN, & NOBLETT	\$3,795.00	\$3,795.00	Professional services for period ending August 31, 2009

INVESTMENT MANAGERS

NWQ	\$21,265.21	\$21,265.21	Investment management expense for period ending June 30, 2009
SMH	\$6,666.77	\$6,666.77	Investment management expense for period ending June 30, 2009

MANAGER TOTAL	\$27,931.98	\$27,931.98	
---------------	-------------	-------------	--

ACCOUNTS RECEIVABLE

<u>COMPANY</u>	<u>AMOUNT RECEIVED</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>YTD</u>	
No Activity			

REPORT OF ACCOUNT (S) PAID

MUTUAL OF OMAHA (Long-Term Disability)	\$9,162.33	\$27,574.42	Long Term Disability (50%) – August 09'
---	------------	-------------	---

MISCELLANEOUS ITEMS

<u>NAME</u>	<u>TRANSACTION</u>
No Activity	

Report from Counsel – Valerie Malueg

Ms. Malueg requested the Board to review the current Long Term Disability provision in the City Charter as it pertains to participants who are covered under the General Pension Plan. She stated that the Charter has some ambiguity and is currently unclear. Ms. Lea stated that the Personnel office needed to feel more comfortable with their decisions when faced with these types of situations since the General Pension Plan pays one-half of the premium for the Long Term Disability Policy. Mr. Johnson stated that he understood why and it seemed to him that a participant could not have the benefit of both the General Pension refund and the Long Term Disability benefit. Both Mr. Levi and Ms. Madison agreed with Mr. Johnson and asked Ms. Malueg to draft a policy for the Board to accept.

Ms. Malueg asked the Board to review the current policy regarding interest application to refunds, which reads 6% per annum. Since there was a current case pending, she asked the Board if this meant 6% compounded interest or a straight 6%. The Board agreed that it meant 6% compounded interest if there were more than one year since an employee left the City. Ms. Malueg stated that there is an employee who is not vested who has recently deceased. She was in a coma for about fifteen years and was unable to make an election upon terminating employment. Her beneficiaries are now inquiring as to the status of her pension contributions. Mr. Johnson asked whether an employee who is not vested could elect to keep their contributions in the fund and Ms. Lea stated that they could not. Ms. Malueg referred to the City Code section covering refunds. The refund should have been distributed within one year of the employee's termination date. Since the refund was not made within this timeframe, the Board agreed that the distribution should be made at 6% annual compounding from the date of termination to distribution.

Administrative Issues – Sharon Lea

Ms. Lea stated that she had asked the custodian in Memphis to prepare a list of retirees who had non-taxable amounts included in their gross benefit payments and to include the stop dates for each. After reviewing this report, she found a total of four retirees whose nontaxable amounts ceased rather than being converted to a taxable status during 2007; resulting in a lower gross benefit payment. The custodian was made aware of the errors and corrections were made to bring all benefit payments up to date. Also, checks were issued to the four retirees to cover the amounts of the errors. Ms. Hicks stated that she would get with the Memphis branch to incorporate herself into the situation to remedy this and make sure it does not continue.

Consultant RFP Update – Terry Lamb

Mr. Lamb stated that he and Todd were still waiting on a current draft of the RFP from the City Attorney's Office. Ms. Malueg stated that she would get this to them and incorporate the SEC questions.

Other Items

Mr. Johnson brought up the investment returns of Blood Assurance versus the City's returns since January 1, 2009. He stated they were significantly different due to the differences in the asset allocations and thought the Board may want to take a look at their allocation. Mr. Lamb stated that the 11% increase thru September 15, 2009 definitely lagged the market. Ms. Hicks stated that the values reported to the Board represented balances in reported accounts for certain time periods. She stated that the numbers represented market values at the close of business on September 15, 2009; although some accounts represented hard-to-price assets. This could cause some lag in valuation. Mr. Lamb agreed that the Plan may not be recovering quite as quickly as some other plans. He stated that we were struggling from accuracy in valuation, venture capital allocation, and interpreting the hedge fund allocation. Ms. Madison asked if the Board felt comfortable completing an asset allocation without the help of the consultant. Mr. Lamb referred to the last Educational Seminar, when the speaker discussed Investment Policy Statements. He stated that the Board would be in favor of it sometimes and not in favor of it at other times. If it were consistently changed, the Board would be shooting themselves in the feet. As a group, we need a consistent Investment Policy Statement that we adhere to. Mr. Johnson suggested that the Board at least

Meeting of Trustees
City of Chattanooga General Pension Plan
September 17, 2009
Page 3

take a look at the asset allocation. Ms. Madison stated that timely information is crucial, but Mr. Lamb stated that with the asset classes the Plan has built in, we have built in less transparency.

Ms. Madison stated that she had a document from Northern Trust that requested authorized names for signing off on investment transactions. Ms. Malueg confirmed that there needed to be two names.

The next board meeting was scheduled for October 15, 2009 at 8:45 a.m. in the J.B. Collins Conference Room.

There being no further business, the meeting was adjourned.

Chairman

APPROVED:

Secretary